



**Dr. Ashok Ajmera (FCA), CMD & CEO**

Dr. Ashok Ajmera's column as on April 04, 2020

### **COVID-19 takes a toll on Indian and global equities; all eyes on crude oil price movement and COVID-19 developments..**

For the week, the S&P BSE Sensex declined by 7.46 per cent, while the Nifty50 slipped 6.65 per cent. There was no respite for domestic bourses as COVID-19 cases continued to rise in India and across the globe. Global confirmed cases surpassed 1 million. Domestically, an ongoing 21- day lockdown to break the chain of COVID-19 has already brought the economy to a halt and has raised concerns of the economic repercussions owing to it.

The S&P BSE Mid-cap index was down a little over 3 percent while the S&P BSE Small-cap index saw a dip of nearly a percent for the week ended April 3.

On Friday, The S&P BSE Sensex ended at 27,591, down 674 points or 2.39 per cent amid heavy selling in financial stocks such as ICICI Bank (down 7.5 per cent), HDFC (over 5 per cent), HDFC Bank (down 2 per cent), and Axis Bank (down over 9 per cent). The other major contributors to the index's loss were Infosys, TCS, and Asian Paints. They all fell in the range of 3-5 per cent. On Friday, India VIX cooled-off over 8 per cent to 55.01 levels. On the other hand, the Nifty50 index ended at 8,084, down by 170 points or over 2 per cent.

Meanwhile, foreign portfolio investors (FPIs) have pulled out net of Rs. 58,348 crore (approx. US\$7.9 billion) from Indian equities in March 2020. The S&P BSE Sensex has reported its biggest quarterly fall in history of the stock market, with the benchmark index falling significantly by 28.6 per cent during January-March 2020 quarter. On the other hand, the Nifty 50, which declined 29.3 per cent, recorded its sharpest quarterly fall since June 1992 quarter when it fell 32.2 per cent during the quarter. For FY20, the S&P BSE Sensex witnessed a fall of 24 percent while the Nifty50 plunged 26 percent in FY20, the biggest fall in fiscal since FY09.

### **Crude oil**

Crude oil witnessed some relief after US intervened and had talks with Saudi Arabia and Russia to end the price war by cutting production. As a result on Thursday, Brent crude oil rallied significantly by a record 24.7 percent growth after US President Donald Trump said he expects Russia and Saudi Arabia to announce a major oil production cut, and Saudi state media said the kingdom was calling an emergency meeting of producers to deal with the market turmoil. Brent crude futures gained 3.64% to US\$31.03 on Friday whereas US West Texas Intermediate (WTI) crude fell 0.83% to US\$25.11. Despite the significant rally in last week, oil prices have still lost more than half their value this year. The market slumped in early March 2020, when Saudi Arabia and Russia were unable to come to terms on a deal to curb production, and the Saudis boosted output to more than 12 million bpd and shipped discounted cargoes worldwide. Oil prices have been under



tremendous pressure after price war between Russia and Saudi Arabia, demand slump due to pandemic COVID-19 and oil prices were as it is on a declining mode since the US-China trade war started.

### **Ajcon Global's view**

We believe the recent crisis caused by pandemic COVID-19 and the 21 day country lockdown to the break the chain of COVID-19 virus has created concerns regarding the economy as it has come to a standstill. The fear of unknown has created panic amongst investor community. These are unprecedented times and uncertainty is very high. The current crisis has left investors anxious and tensed as this type of crisis has never occurred before. Always remember, tough times never last but tough people do. As it is said, that change is only constant in this world. We believe, that this phase of crisis, uncertainty will change too. We advise investors to not lose hope in Indian equities as historically it is proven that market

do witness recovery post an epidemic. Having said that, we would advise investors not to time the markets as no one knows the bottom as the whole world is worried as to how long it will take the dust to settle now. The recent destruction caused by COVID-19 is ideal for value pickers. The recent crisis has made investors to rethink their strategy about allocation in a basket of equities. Last week, buying interest was witnessed in sectors which would have minimal impact of COVID-19 crisis. As a result, investors were increasing allocation towards Consumption, healthcare and pharma stocks and as expected heavy selling pressure was witnessed in Banks, NBFCs, IT, and metal stocks.

The coming week is a holiday truncated week with only three trading sessions. The market will remain shut on Monday (April 6) on account of Mahavir Jayanti, and on April 10 which is a Good Friday.

We believe there would be ample opportunities for the investors at rock bottom prices in the current turmoil as Q4FY20 and Q1FY21 results expected to be very poor. Negative newsflow related to economy will always give opportunities to investors to cheery pick quality companies at distressed valuations. Investors having surplus cash with horizon of at-least 3 years can start fresh and add stocks in a staggered manner on every declines comprising of quality companies. Ideally, one should look at Companies which has seen massive destruction in their share price, have strong portfolio of brands, strong management integrity, monopoly kind of presence, competitive advantage, have weathered the storm in different market cycles, low debt and debt free, able to generate positive cashflow consistently.

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